



March 2011

ALABAMA SECURITIES COMMISSION

SPECIAL LEGISLATIVE REPORT

Summary report of operations to include key statistics, generated revenue, registration, enforcement of securities laws, investor and fraud prevention education and news media coverage concerning events, administrative and enforcement actions annotated by city or county location.

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Director's Corner

Dear Legislator:

The past year could be characterized as one of both economic challenge and of optimism for recovery. To countless senior citizens nationwide and in Alabama, the truest measure of how the economic crisis has challenged their lives is how drastically their retirement assets--their nest eggs--have been diminished or damaged. Many are concerned that their life savings may have lost so much value that they can no longer plan or maintain a comfortable retirement. Seniors facing this circumstance may be more vulnerable to investments that are unsuitable for their long-term financial goals or become victims of investment fraud.

When the subject of our state and nation's aging population arises, conventional wisdom typically focuses on who will tend to the physical needs of millions of previously retired seniors and of the approximately 79 million "baby-boomers" who are approaching retirement. Now, more than ever, increased attention must be focused on seniors' *fiscal health*. A recent study conducted by the Washington, D.C. based Investor Protection Trust, the North American Securities Administrators Association (NASAA), Baylor College of Medicine, National Center on Elder Abuse and, Adult Protective Services found that financial abuse and exploitation targeted at seniors is a serious and growing problem. The study revealed that an estimated 7.3 million seniors--one of every five citizens over the age of 65--have been previously victimized by unreasonably high fees for financial services, an inappropriate investment offer or by outright fraud, costing these individuals and their families more than \$2.6 billion annually. Most notably, many adult children of seniors 65 and older seemed unaware about the effects possible financial abuse may have on their parents. Likewise, many children of older adults do not realize how prevalent the come-ons for their parents' money can be from unlicensed persons soliciting for participation in illicit investment "opportunities." The most sobering fact about senior investment fraud is that for each case reported to authorities, an estimated four or more cases go unreported.

The ASC has witnessed numerous investor traps that snare unsuspecting and uninformed senior investors looking to recoup retirement assets lost to the financial crisis and market volatility. Notable among these traps are oil/gas schemes, green technology schemes, medical technology schemes, gold/precious metal schemes, foreign exchange trading schemes, land development schemes, debt settlement schemes, advance fee loan schemes and investment contract schemes, among many others. The easiest and best defense against fraudulent investment schemes is to call this Commission and check out the company or sales person making the investment offer, as well as the investment product, to ensure they are properly registered. If not properly registered don't invest your hard earned money.

Many main street investors have been tempted to make hasty investment decisions to restore recent losses of their retirement savings due to market volatility and the recent recession. Investors need to be aware of their own long-term financial objectives and it may be wise to seek the advice of a trusted investment adviser or financial planner before making any sudden moves with their money.

Specific Sections of the Dodd-Frank Wall Street Reform and Consumer Protection Act when applied concurrently with state securities law, should help the Alabama Securities Commission and other regulators crack down on any person or company committing securities fraud against senior investors. Many financial scams perpetrated against seniors often arise from unscrupulous and unlicensed individuals promoting personalized investment advice and recommendations about investment products under the guise of being so-called specialists in investments for seniors. Sections of the new financial reform law, when coupled forcefully with existing state law, may help curtail promoters holding themselves out to be legitimate financial planners through the use of misleading designations. Hopefully, the new safeguards may add yet another level of protection for seniors against financial victimization and promote fair opportunities for those who choose to invest their hard-earned dollars in financial markets that drive a robust state and national economy.



Joseph P. Borg, Director

ASC Statistical Summary from FY 2010

- ▶ ASC total staff – **49** (includes 6 attorneys, 12 special agents, and 11 securities analysts)
- ▶ Registrations and exemptions issued – **130,924**
- ▶ Complaints and corporate inquiries received – **447**
- ▶ Industrial Revenue Bonds reviewed – **\$325,158,479**
- ▶ Administrative Orders issued – **72**
- ▶ Administrative Order respondents – **191**
- ▶ Rescissions ordered – **\$1,223,928**
Not Included: \$ 1.6 billion of Auction Rate Securities bought back by 11 firms as part of a multi-state settlement.
- ▶ Restitution ordered to victims – **\$1,031,995**
- ▶ Public warnings issued – **7**
- ▶ Indictments (19) and arrest warrants (3) obtained – **22**
- ▶ Convictions – **9**
- ▶ Arrests made – **13**
- ▶ Years incarceration ordered – **77.6**
- ▶ Individuals awaiting grand jury action, arrest or trial – **41**
- ▶ Contributed to State General Fund - **\$12,500,304**

ASC's Office/Division Functions and Accomplishments

THE ENFORCEMENT DIVISION has a staff of 12 veteran investigators (Special Agents) with more than 270 years combined law enforcement and investigative experience. Special Agents conduct complex investigations in response to complaints or evidence of alleged securities fraud. The investigation of financial crime involves intensive efforts to examine and analyze large quantities of information ranging from electronic data to paper records. Special Agents are required to field investor complaints related to suspicious, unsuitable and/or illegal investment offerings and the sale of fraudulent and unregistered investment products. The Enforcement Division coordinates its actions with the ASC office of Legal Counsel and local, state and federal authorities to thoroughly examine complaints, analyze financial transactions and help bring legal action against any person or entity that violates the Alabama Securities Act. During the past five years, Enforcement Division actions have secured, on average, more than 17 criminal indictments per year for securities fraud and due to the division's diligent work on behalf of Alabama's investors, the Courts have ordered more than \$14 million in victim restitution in these cases. During FY 2010, enforcement actions led to 13 arrests, 9 convictions and helped secure 77.6 years of jail time for violators of the Alabama Securities Act.

THE REGISTRATION DIVISION:

The **Licensing and Registration** Department is responsible for the initial and ongoing registration and statutory compliance of broker-dealer firms and their agents, investment adviser firms and their representatives, securities registration or exemption from registration and the licensing of money transmitters. This Department is also responsible for the processing of fees associated with the applications and renewals which allows the agency to remain self-funding. The total number of registrations, licenses and exemptions issued in Fiscal Year 2010 was 130,924.

The **Auditing and Examination** Department conducts a full schedule of onsite routine and for-cause examinations. It examines each of the state regulated investment advisers domiciled in Alabama on a three-year cycle, while continuing to audit broker dealers and their branch offices on a for-cause basis. The audit program identifies serious securities violations as well as potential weaknesses in sales practices in order to help strengthen these entities' compliance programs and to protect Alabama investors. The Department also conducts joint audits, on a limited basis with other states for complex audits and enforcement investigations. In Fiscal Year 2010 the Auditing and Examination Department conducted 46 audits. Of these, five were for-cause examinations driven by investigations, customer complaints or licensing issues.

THE EDUCATION AND PUBLIC AFFAIRS DIVISION notifies state and national media about the agency's services, enforcement actions, fraud prevention alerts and other activities to combat financial crimes targeting Alabama citizens. The division is very active in educating citizens of all ages and economic backgrounds about the many facets of personal finance, investing and how to protect oneself from financial fraud. The division researches, develops and implements investor education and fraud prevention outreach programs that offer Alabamians, from high school students and working adults to senior investors, ages 50 and older, the most relative and timely information available to help them make informed financial decisions. The information provided to these groups encourages prudent use of monetary resources, avoiding victimization by fraud and achieving the fiscal knowledge required to safeguard personal financial assets in order to help citizens build a comfortable and stable retirement.

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Continued collaboration with the Alabama Department of Education, the Alabama Jump\$tart Coalition, the Investor Protection Trust, the Alabama Department of Senior Services, the Alabama Cooperative Extension System, and the Alabama Council on Economic Education, among others, led to a successful education outreach program providing 73 education and fraud prevention events to over 3,636 Alabama citizens during this fiscal year.

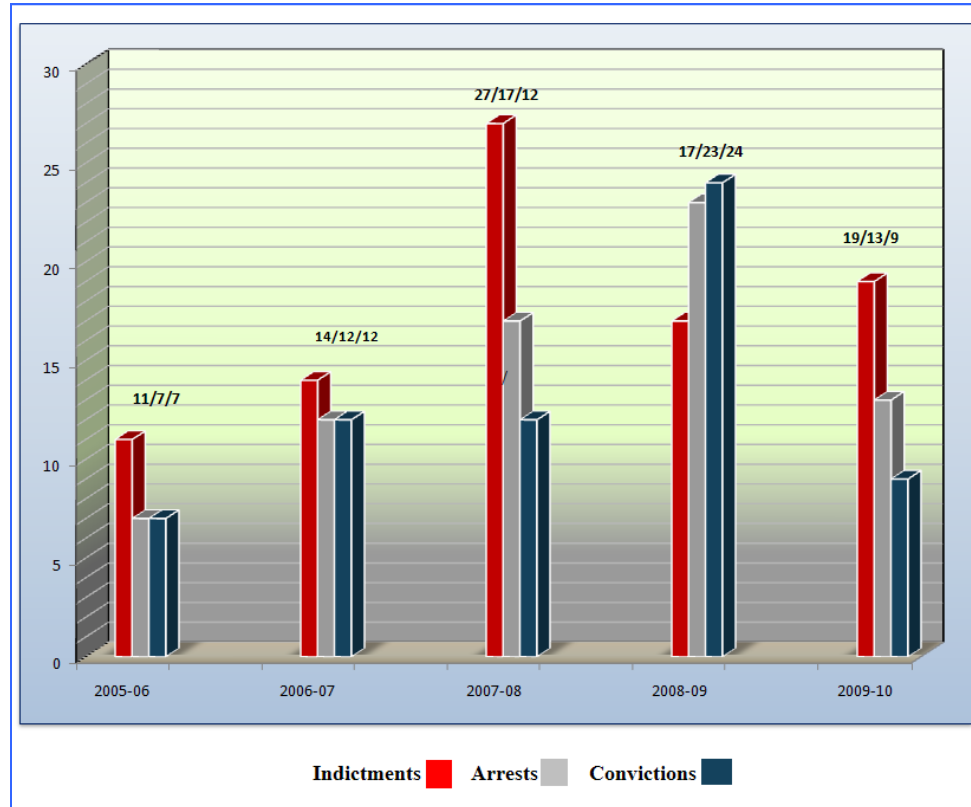
THE INFORMATION TECHNOLOGY (IT) DIVISION is critical to the Commission's ability to efficiently manage a tremendous workload. The IT Division has worked steadily to improve and streamline the way we utilize and store important information. Recently the IT staff upgraded all servers older than five years to efficiently maintain the currency of software and computers for all staff members with a continued equipment update plan. Database upgrades in support of Legal, Enforcement, and the Registration Divisions were purchased and are nearing completion. The IT staff has also worked tirelessly to install new web and video-casting hardware and software to provide enhanced training for all ASC staff members. During this period the IT Division developed a plan to install new state-of-the-art audio-visual technology that will allow us to network with numerous other state and federal regulatory and law enforcement agencies.

THE LEGAL DIVISION investigates and prosecutes fraudulent and illegal actions by individuals or companies associated with the offering and/or sale of securities within, into or from the State of Alabama, or any related actions that violate the Alabama Securities Act. The Legal Division is comprised of six highly competent and skilled attorneys, including the Deputy Director, who are ably assisted by two full-time paralegals. The legal staff possesses almost 100 years' combined legal and prosecutorial experience and oversees the prosecution of administrative, civil and criminal actions brought by the ASC and renders opinions and no-action letters relating to issues of law under the Alabama Securities Act. The division also serves as in-house legal counsel for all legal issues concerning daily operations of the Commission staff, including investigations and personnel issues and acts as liaison with other entities when legal issues of common interest arise. The legal staff is often called upon by District Attorneys across the state for assistance in investigating and aggressively prosecuting white-collar crime and has a stellar prosecution record. ASC attorneys collaborate and consult with other states on legal issues with overlapping jurisdictions and aid federal prosecutors, the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority and others to assure the maximum advocacy and protection possible for Alabama's main street investors.

THE ACCOUNTING AND PERSONNEL DIVISION'S work encompasses a number of diverse and important functions that guarantee the continued smooth operation of the agency. This division provides for the overall fiscal operation of the ASC, including preparing the annual budget and operations plan, supervising the maintenance of accounting records, reviewing to ensure propriety of expenditures and budgetary controls, the maintenance of personnel and payroll records and the accountability of all physical inventory. This division works with the Examiners of Public Accounts to ensure that the agency's fiscal compliance with the Code of Alabama is followed to the letter. Historically, the ASC Accounting and Personnel Division has received a "Perfect Property Inventory" audit and works tirelessly to make certain that the agency's property and monetary resources are used and maintained for the greatest benefit to Alabama taxpayers.

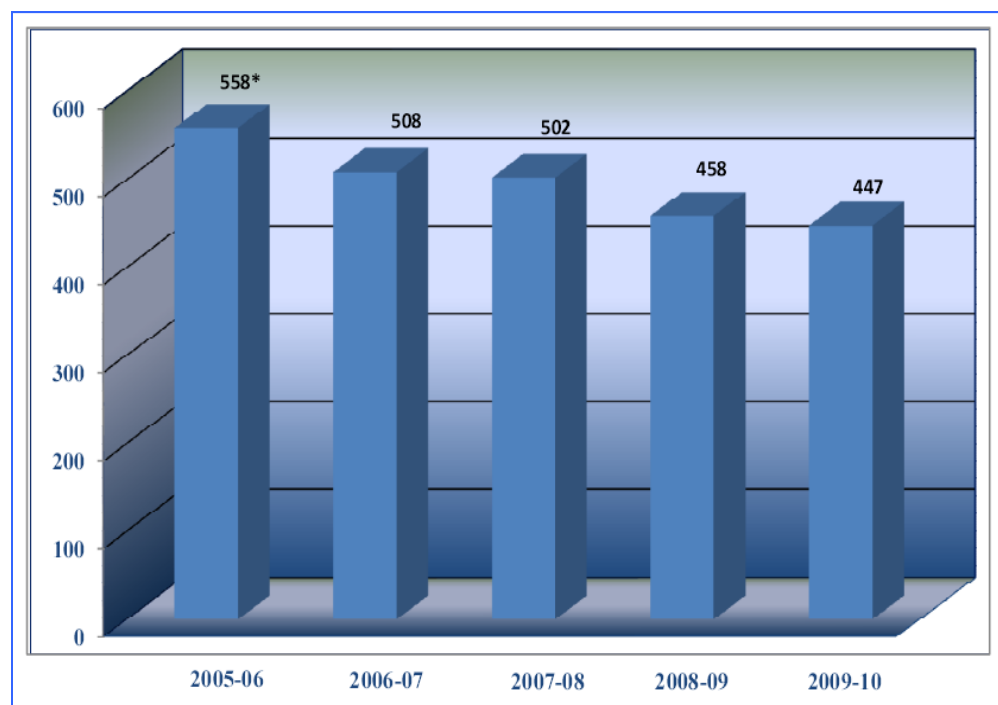
Indictments, Arrests and Convictions

Fiscal Years 2005-06 to 2009-10



Complaints and Corporate Inquiries

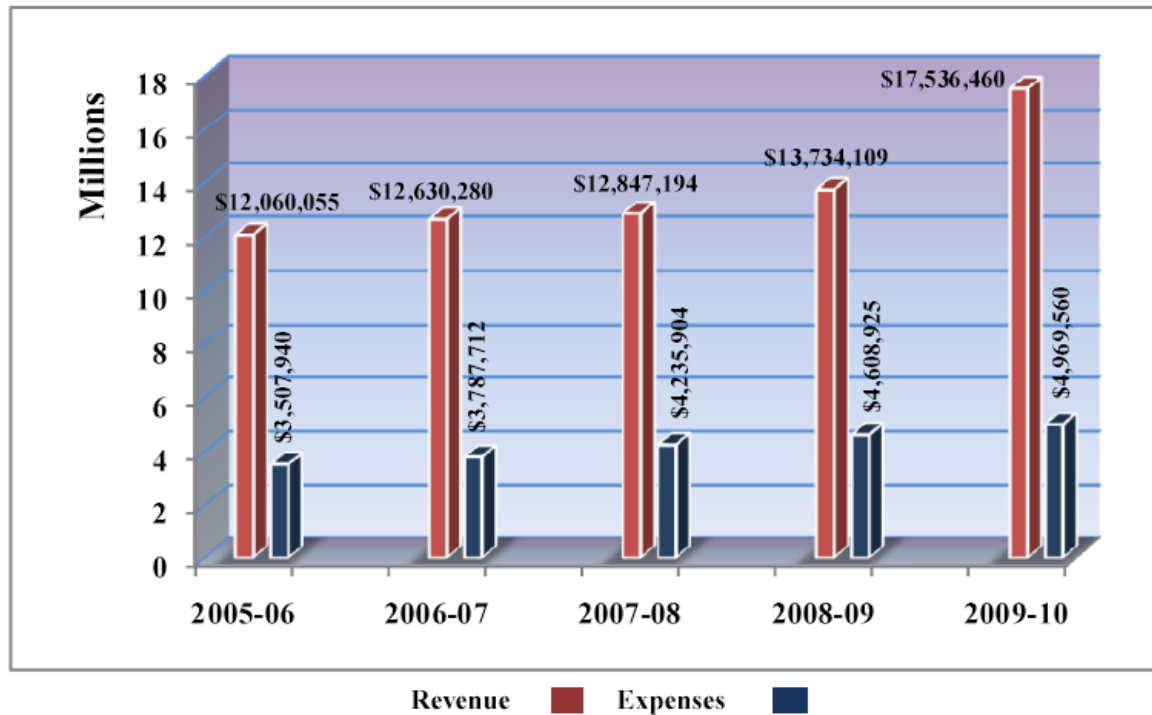
Fiscal Years 2005/06 - 2009/10



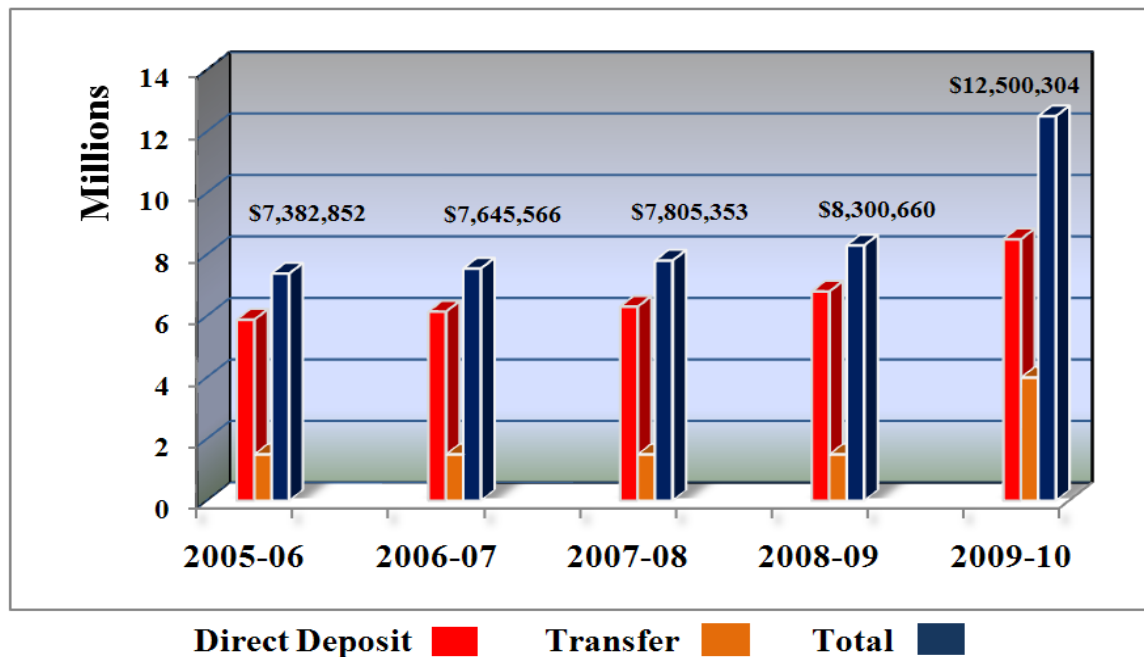
* Increased service on checking newly filed incorporations and verifying new business legal requirements.

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Combined Revenue and Expenses Fiscal Years 2005-06 to 2009-10



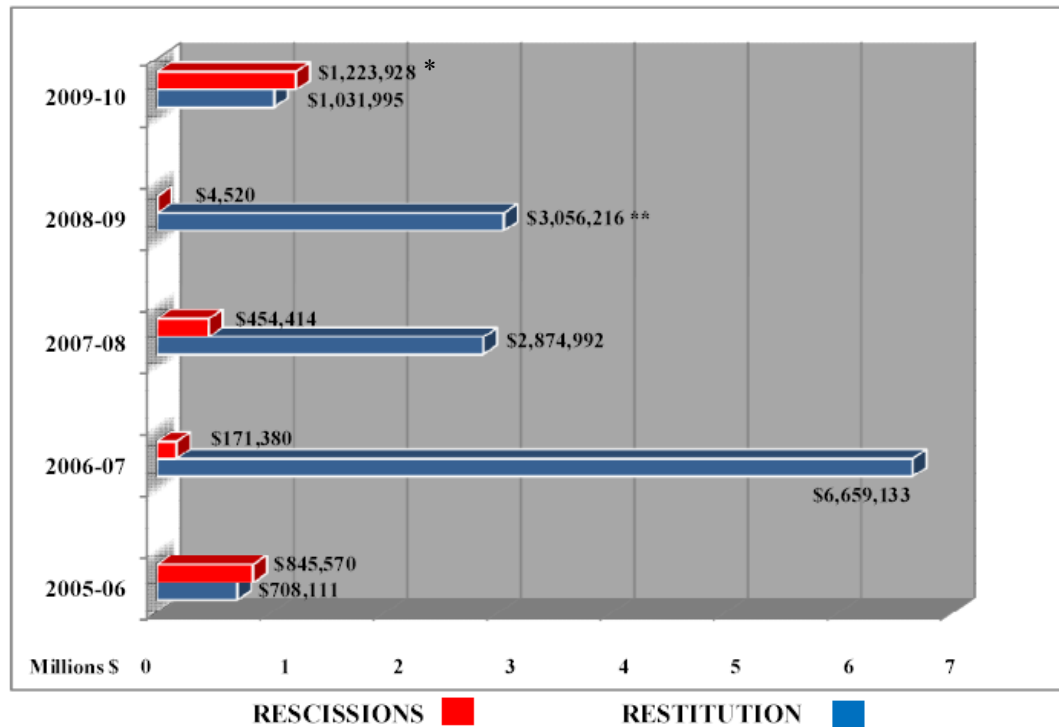
Total Revenue to General Fund Fiscal Years 2005-06 to 2009-10



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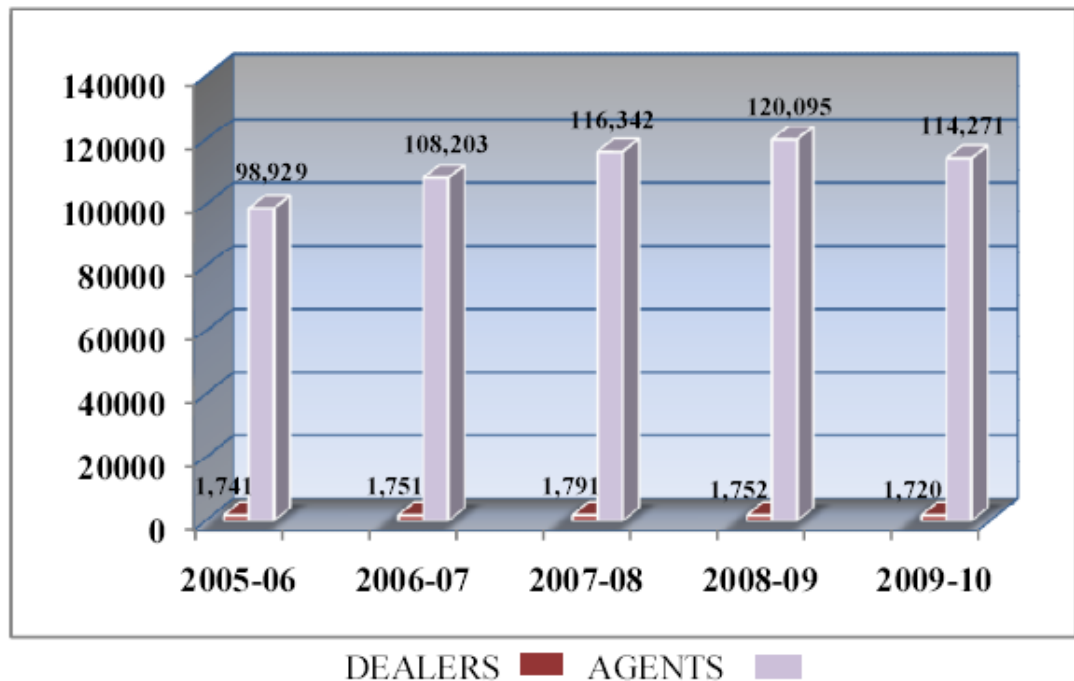
Rescissions and Restitution Fiscal Years 2005-06 to 2009-10



* Not Included: \$ 1.6 billion of Auction Rate Securities bought back by 11 firms as part of a multi-state settlement.

** Not Included: \$ 67.3 million in victim restitution from joint federal and multi-state case.

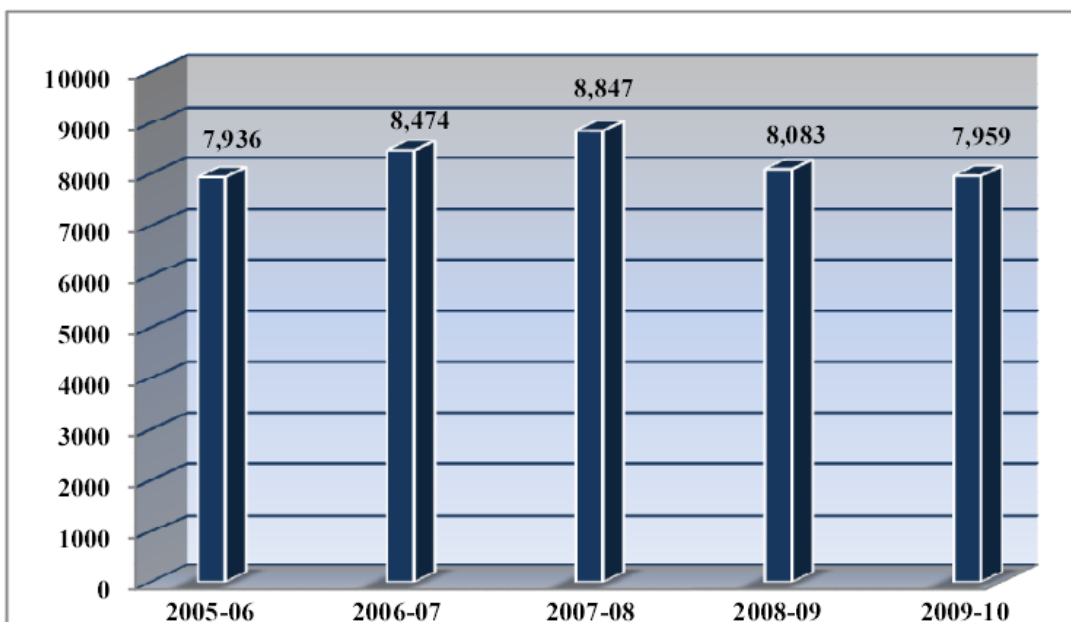
Broker Dealer Registrations Fiscal Years 2005-06 to 2009-10



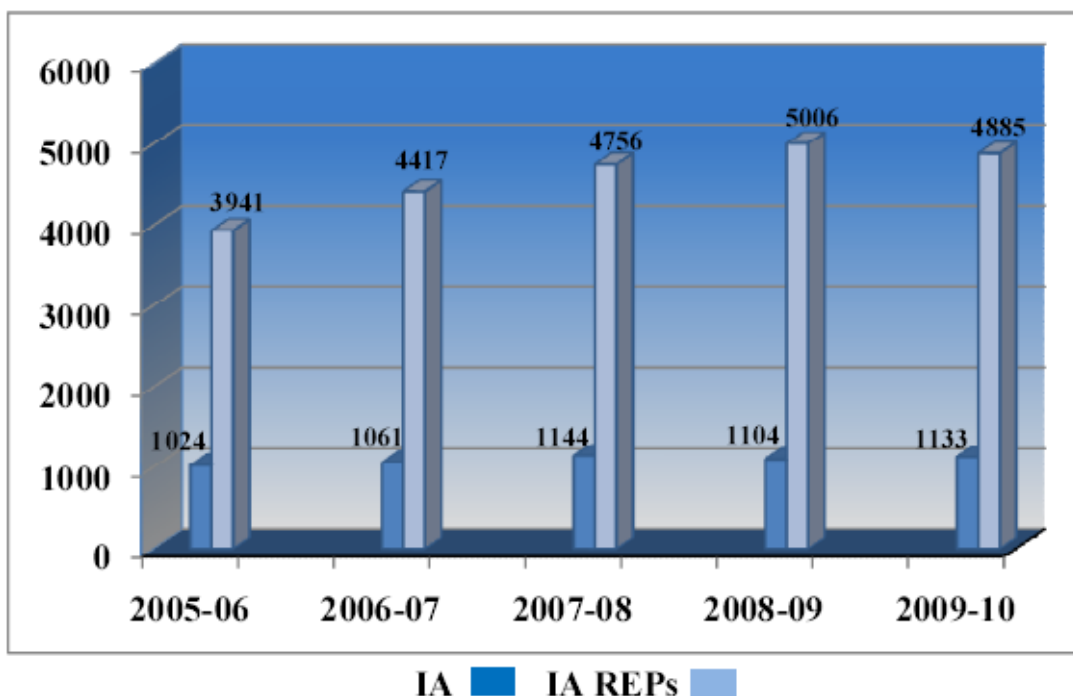
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Mutual Fund Registration and Exemptions Fiscal Years 2005-06 to 2009-10



Investment Adviser Registrations Fiscal Years 2005-06 to 2009-10



INDUSTRIAL REVENUE BONDS FY 2009-2010

LESSEE	FEE CHARGED	DATE ISSUED	AMOUNT OF ISSUE
The Industrial Development Board of the City of Selma, AL (International Paper Co.)	\$1,000.00	05/03/10	\$50,000,000.00
The Medical Clinic Board of the City of Montgomery, AL (Oak Partners Two, LLC)	\$1,000.00	05/21/10	\$3,160,000.00
The Industrial Development Board of the City of Jasper, AL (Industrial Park Project)	\$1,000.00	05/28/10	\$2,800,000.00
The Industrial Development Board of the City of Andalusia, AL (Industrial Development Revenue Bonds, Series 2010A)	\$1,000.00	05/28/10	\$5,505,000.00
The Medical Clinic Board of the City of Dothan, AL (SB&JS General Partnership West Project)	\$1,000.00	07/06/10	\$6,217,027.00
The Industrial Development Board of the Town of Chatom, AL (PowerSouth Energy Cooperative, Series 2010A)	\$1,000.00	09/22/10	\$76,236,143.00
The Industrial Development Board of the City of Courtland, AL (International Paper Company)	\$1,000.00	10/28/10	\$20,000,000.00
The Industrial Development Board of the City of Prattville, AL (International Paper Company)	\$1,000.00	10/28/10	\$20,000,000.00
The Industrial Development Board of the City of Selma, AL (International Paper Company)	\$1,000.00	10/28/10	\$50,000,000.00
The Industrial Development Board of the Town of Chatom, AL (PowerSouth Energy Cooperative)	\$1,000.00	11/04/10	\$34,105,000.00
The Industrial Development Board of the City of Birmingham, AL (Amsted Rail Company, Inc.)	\$1,000.00	12/13/10	\$7,150,000.00
The Industrial Development Board of the City of Huntsville, AL (Dynetics, Inc. Project)	\$1,000.00	12/15/10	\$49,985,309.00
TOTALS:	\$12,000.00		\$325,158,479.00

Investor Education and Fraud Prevention Outreach Program



Dan Lord, Manager

ASC EDUCATION CORNER

Promoting Investor Protection Through Instruction and Preparation

The ASC's Office of Education and Public Affairs is very proactive in efforts to inform and educate Alabamians of all ages and economic backgrounds on the many facets of saving and investing, and especially on how to avoid financial victimization and to learn about making informed investment and financial decisions.



*Clint Niemeyer, Public
Affairs Specialist*

FINANCIAL HURDLES FACING YOUTH, WORKING ADULTS AND SENIORS

by Dan Lord

Youth, working adults and retired seniors are facing some peculiar challenges to optimize the health of their pathway to financial success.

Youth. K-12 and college students not working yet will need to acquire skills to learn how to properly "spend" in-hand income to maximize their buying power. When teaching personal finance in the classroom sometimes we cover topics like buying a car, a washing machine, a cell phone or MP3 player. Most people in America could probably learn how to save 10% on their annual expenditures and enjoy the same quality of life. Secondly, youth must learn how to effectively manage credit; the best credit plan may be to only borrow money for education, an automobile, or a home during a lifetime--opinions may vary. Did you know that students should learn how to invest by the time they are 18 years of age? My son attended a junior college and worked part time at a major retail store for two years prior to enlisting in the Navy. He didn't remember that he checked the box on his application to put away a small dollar amount of his wages in a tax sheltered retirement plan where the employer would match funds. After just two years my son accumulated \$1,500 worth of stock in his employer's company. When he left the company my son had three options for his tax sheltered retirement plan money: leave the money in the retirement plan, cash it and transfer the money into another tax sheltered program like an IRA; or withdraw the money and pay tax on it--and as many teens do--buy a new sound system for his car. After studying about retirement plans with my son he decided to leave the \$1,500 in the original tax sheltered employer retirement plan. My son's tax sheltered plan could be worth over \$70,000 by the time he retires. So, every job a young person has is very important, especially if a small percentage is invested every month--time is money. ASC has a great book that can be accessed on our website "The Basics of Saving and Investing: Investor Education 2020," that teaches youth and adults what they need to know! School teachers may contact ASC to request free hardcopies of the book.

Working adults. Many working Americans have serious credit problems. The average balance carried on credit cards by U.S. citizens was recently estimated to exceed \$16,000. Many working adults may be paying over \$300 per month in interest for most of their lives.

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Investor Education and Fraud Prevention Outreach Program

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It is difficult to build wealth when you pay 2 or 3 times the cost of most items you buy due to the added cost of interest. These high credit card balances are carried by all types of people in both low and high income ranges. Many Americans could learn how to spend more wisely and live a comparable lifestyle that costs 10% less than they are paying now. Take these savings and invest your dollars wisely by the month and you can build a nest egg. Did you hear about the principle called “dollar-cost averaging?” If John Doe invested \$100 per month in a mutual fund and Sue Doe invested \$1,200 in the same mutual fund one time a year, who would have the most money after 20 years? In most cases John Doe would acquire a larger amount of profit on his investment because the monthly investments average the high and low prices of the stock market. Everyone can learn more about wise saving and investing; unfortunately, once you have a decent nest egg you can lose it all to financial fraud or waste a lot of money on unsuitable financial products. Working men and woman today should continually strive to learn more about the principles of personal finance, investing, and how to protect themselves from the many pitfalls of deceptive marketing and fraud. ASC helps protect citizens from investment fraud and helps people to learn how to make informed investment decisions. But, if you don’t sharpen your financial skills (wise spending, saving and use of credit) you may not have money to invest!

Retired seniors are targets for unscrupulous salespersons and fraud today more than ever. Why? Willie Sutton, a famous bank robber, is known for answering a reporter who asked why he robbed banks by saying, “because that’s where the money is!” The Baby Boom began in 1946 and stretched through 1964. The mutual fund industry has grown with Boomers. In 1971, when the first Boomers turned 25 and began to enter the workforce, the fund industry had \$55 billion in assets. It’s now a \$10.7 trillion behemoth, \$4.1 trillion of which is in retirement accounts, according to the Investment Company Institute, the funds’ trade group. The total investment wealth of seniors today is estimated to exceed \$13 trillion.

Why do we, as advocates for the elderly, need to be so concerned with financial abuse? Our nation’s senior population—those 65 years or older—now stands at approximately 25 million, and that figure will more than double over the next two decades as more than 75 million “baby-boomers” join the ranks. Financial abuse targeting the elderly costs U.S. seniors more than \$2.6 billion a year, according to a report issued recently by the MetLife Mature Market Institute, the insurer’s research arm. About 7.3 million seniors—one out of every five citizens over the age of 65—have already been victimized by unreasonably high fees for financial services, an inappropriate investment offer or outright fraud, according to a survey released in June 2010 by the Investor Protection Trust, a non-profit financial education organization.

ASC has materials and offers training seminars (all for free) to teach youth, working adults and seniors what the need to know to reach and maintain a “Pathway to Financial Success.” Visit the ASC website at www.asc.alabama.gov or call 1-800-222-1253 and ask for the Education and Public Affairs office.

Investor Education and Fraud Prevention Outreach Program

ASC Joins Forces with FINRA, AARP and SEC to Combat Financial Fraud

By Clint Niemeyer

The current precarious economic climate has been difficult for Alabama's investors, those 50 years old and older, who are retired or are approaching retirement. In fact, senior investors with "nest egg" savings or pensions are more vulnerable to being targeted and victimized by financial con artists during tough economic times than any other demographic.

To help combat financial fraud, a pervasive menace to the long-term financial well-being of our state's senior investors, the Alabama Securities Commission (ASC) has joined forces with the Financial Industry Regulatory Authority (FINRA), AARP Alabama and the U.S. Securities and Exchange Commission (SEC) to help our seniors recognize the characteristics of investment fraud and make informed and safe investment decisions that can safeguard their personal financial assets.

As a state government agency, the ASC is obligated to combine resources, whenever possible, to save money and efficiently provide educational services to Alabama citizens. Historically, ASC has partnered and combined its resources with many service and support organizations to more effectively communicate the message to our citizens that we stand ready, willing and able to help educate and defend them against unsuitable, dishonest and illegal investment practices that could rob them of their financial futures.

ASC has partnered with AARP and its excellent state staff for many years to reach senior citizens throughout Alabama. ASC has worked cooperatively with AARP to provide educational materials and information that can help protect Alabamians from financial fraud and abuse. Through AARP's extensive network of statewide members, ASC has been able to provide educational seminars throughout Alabama. Combining ASC's educational expertise with AARP's successful track record of helpful outreach using various newsletters and information distribution capabilities, our successful partnership has capably reached thousands of Alabama seniors with timely, pertinent information concerning emerging financial scams or changes in legislation that may affect the financial market and the investing actions of our state's citizens.

FINRA is a new partner headquartered in Washington, D.C. Their Investor Education Foundation spearheads a national fraud prevention education initiative, *SaveAndInvest.org*, to recruit and train fraud fighters nationwide to carry the investment fraud prevention message into their respective communities and to warn others about the many pitfalls of investment fraud. The program offers free, unbiased information and educational tools to help investors ask the right questions and to thoroughly check out investments – before they invest their hard-earned money. FINRA has produced an "Outsmarting Investment Fraud" tool kit, an innovative method for training individual fraud fighters to recognize and understand the risk factors, persuasion tactics and prevention strategies associated with financial fraud.

FINRA has reached out to partners like ASC and AARP to help distribute their training materials and services to the grass roots level in the United States and selected Alabama as a pilot program to train AARP volunteers to train others in their communities. Additionally, FINRA has launched an impressive advertising campaign using television, radio and other media throughout Alabama to highlight its efforts with each of its active partners and has sent members of its professional staff to assist ASC and AARP to host training events in Montgomery, Mobile and Birmingham.

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Investor Education and Fraud Prevention Outreach Program

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The U.S. Securities and Exchange Commission (SEC) is the federal counterpart to the Alabama Securities Commission and, through its Office of Investor Education and Advocacy, has joined the ASC, FINRA and AARP as a valuable partner in educating senior Americans about investment fraud. The SEC offers investors several educational publications and online materials and is in the process of developing and implementing additional investor education and fraud prevention programs that will augment and strengthen the grass roots efforts of its partners.

The Alabama Securities Commission has enjoyed a successful collaboration with FINRA, AARP, the SEC and numerous other state and local organizations to share resources, help develop and implement progressive investor education and fraud prevention programs. Our objective for the future is to continue to encourage investor protection at its highest level and help cultivate an economic environment that offers citizens of Alabama the information to make more informed investment decisions and to protect themselves from financial fraud.

ASC Investor Education Partnerships

Investor Education and Estate Planning for Working and Retired Adults

ASC personnel joined ACES regional staff and Associate Professor and estate planning attorney, Dr. Robert Tufts, to present workshops throughout Alabama and train citizens about the benefits of long-term estate planning, including how to safeguard personal financial assets. ASC worked with ACES to apply for and receive a \$10,000 grant from the Investor protection Trust (IPT) in Washington, D.C. to conduct the estate planning seminars across Alabama.

ASC Education and Public Affairs staff joined legal and other estate planning experts to inform and educate retirees and senior investors about how and why their personal financial assets, often the largest single element of their estates, are targeted by financial con artists. Seminar attendees also learned about inappropriate and unsuitable investment “opportunities,” and the danger signals of investment fraud. During FY2010, Estate Planning Seminars were offered to citizens in Lee, Tallapoosa, Elmore, Limestone, Chilton and Montgomery counties.

ASC Partners with the Alabama Department of Senior Services (ADSS)

ASC joined ADSS and the Alabama Civil Justice Foundation for the 2nd Annual World Elder Abuse Awareness Symposium at the Embassy Suites in Montgomery to call attention to the critical financial needs of Alabama’s senior population. Topics included seniors’ special legal, financial, social, health and medical needs. ASC staff members were present to distribute financial literacy and fraud prevention information and to answer questions about safeguarding personal financial assets during these turbulent and challenging financial times.

Alabama Retired State Employees Association (ARSEA)

ASC Education and Public Affairs personnel and other staff members attended and spoke at several chapter meetings of the Alabama Retired State Employees Association (ARSEA) during the past

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Investor Education and Fraud Prevention Outreach Program

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fiscal year. With a membership of more than 25,000 retired former state government employees, ARSEA members typically have significant savings, pensions and other investments, but can face major unexpected financial decisions that could compromise their continued financial independence. This could make them vulnerable to purchasing misunderstood or unsuitable investment products and could also lead to outright financial fraud. ARSEA members learned how to better protect themselves and their families from financial fraud; basic investment principles, such as diversification and dollar-cost averaging; how to research investment options; and, actions to take to make informed investment decisions.

ASC Military Outreach Program and Special Website Area

Many of the employees on the ASC staff are members of the military Guard/Reserves, and have supported recent U.S. defense initiatives. Our Education and Public Affairs manager has over 25 years of active, guard, enlisted and commissioned service and has been involved in national financial education outreach as a non-profit partner with the Department of Defense, Financial Readiness Campaign. Director Borg says, "Inquiries from any military personnel, in any status, or their dependents, will get our immediate attention to help provide information or investigate complaints and concerns as necessary."

During this period ASC provided tailored fraud prevention and investor education seminars to over 250 soldiers, dependents and civilian personnel working on military installations in Alabama. Top-notch personal finance and investor education materials published by Kiplinger's Personal Finance, the Lightbulb Press, Inc. and ASC, were made available upon request to anyone affiliated with the military in Alabama.

Military personnel and their dependants who may be considering investment opportunities can contact the ASC, toll-free, 1-800-222-1253, with inquiries about the registration status of financial products, licensing requirements for those individuals or companies offering or selling financial products or services to military families in Alabama, to lodge a complaint, to report suspected fraud or to receive consumer information.

ASC Youth and Student Programs



Childersburg High School Business Students Visit ASC in March 2010

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Investor Education and Fraud Prevention Outreach Program

(Continued)

High School students and teachers from all over Alabama are welcome to visit the Commission at no cost other than to provide their own transportation and lunch. Typical field trips last about four hours and include over two hours of investor education and information about how ASC regulates the securities industry in Alabama. ASC can also provide career enhancement by having a Special Agent or Securities Analyst give testimonies on how they became a successful professional. ASC will assist to schedule free Capitol tours in conjunction with the field trip. High School teachers may call 1-800-222-1253 and ask for the Education and Public Affairs Office to schedule a personalized field trip.

The ASC's Education Office is an active member of the Alabama Jump\$tart Coalition and works with other business, government and nonprofit agencies to promote financial literacy programs geared toward public and private middle and high school students. ASC offers two professionally developed financial literacy publications to state educators for classroom use. Basics of Savings and Investing: Investor Education 2020 is a teaching guide used in various business, math and social studies classes in grades 7-12. Additionally, high school economics teachers can obtain Personal Finance in the Economics Classroom to augment financial literacy instruction.

Providing Teachers the Resources to Teach Personal Finance



“Alabama Economics Extravaganza 2010: Sep. 2010”

At the Educator Training Facility, U.S. Space & Rocket Center, Huntsville, AL, the ASC partnered with the Alabama Council on Economic Education and other agencies to provide personal finance, investor and economic education to over 80 high school teachers from Madison and other surrounding counties. State Senator, District 7, Paul Sanford (on stage) provided opening remarks at this event. Teachers received training and free materials that would help them in the classroom to teach their students. Additionally, teachers received training from ASC, for themselves, concerning how to protect themselves from financial fraud and make informed investing decisions.

Investor Education and Fraud Prevention Outreach Program

ALABAMA SECURITIES COMMISSION, THE OFFICE OF EDUCATION AND PUBLIC AFFAIRS (ED & PA)

(Manager: Dan Lord; Public Affairs Specialist: Clint Niemeyer)

Investor Education Presentations/Events/Meetings (Fiscal Year Beginning October 1, 2009)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
9/24/2010	Montgomery, AL at the AUM campus	120	AL Society of CPA's Conference
9/23/2010	Birmingham, AL at the BJCC convention center	110	AARP-FINRA partnered investor university
9/22/2010	Birmingham, AL at the BJCC convention center	18	FINRA-AARP partnered train senior trainers
9/13/2010	Huntsville, AL at the U.S. Space & Rocket Center	90	Provide Training to K-12 Teachers
9/9/2010	Prattville, AL at the Holiday Inn	20	NAPFA Financial Planners Meeting
9/9/2010	Dadeville, AL at the County Extension auditorium	7	Seniors from the local area
9/8/2010	Montgomery, AL at the Embassy Suites	80	ARSEA retired state employees conference
8/19/2010	Montgomery, AL at Frazer United Methodist Church	15	Seniors from the local area
7/29/2010	Birmingham, AL at Samford University	16	Fraud Examiners class graduate students
7/27/2010	Montgomery, AL at the Securities Commission	4	Dignitaries from the Korean community
7/24/2010	Mobile, AL at the Public Library	21	High school youth and parent event
7/20/2010	Maxwell AFB, AL at Family Support Center	20	Spouses of deployed military
7/13/2010	Troy, AL with Central AL Area Agency on Aging	20	Seniors from the local area
7/13/2010	Albuquerque, NM at the LULAC Conference	100	Develop Outreach to Hispanic Communities
6/28/2010	Hoover, AL at the Homewood Senior Center	30	Alabama Real Estate Investor Association
6/25/2010	Tuskegee, AL with Central AL Area Agency on Aging	25	Seniors from the local area
6/18/2010	Montevallo, AL at the State College with ACES	40	Financial training program for high school youth
6/17/2010	Birmingham, AL at the BJCC convention center	35	High school teachers annual conference
6/16/2010	Birmingham, AL at the Federal Reserve	30	High school teachers
6/16/2010	Mobile, AL at the AEA conference with Jump\$tart	40	All types of public school teachers
6/15/2010	Mobile, AL at the AEA conference with Jump\$tart	20	All types of public school teachers
6/14/2010	Montgomery, AL at the Embassy Suites with ADSS	150	Seniors from the local area
6/8/2010	Athens, AL at Athens State College	40	Seniors from the local area
6/7/2010	Montgomery, AL at Trenholm State Tech College	20	High school students in summer program
6/4/2010	Opelika, AL at the Cambridge Place	20	Seniors in senior care facility
6/2/2010	Birmingham, AL at the Federal Reserve - Atlanta Branch	20	Academy of Finance high school teachers
5/27/2010	Snead, AL at Senior Center with Attorney General Office	40	Seniors from the local area
5/26/2010	Auburn, AL Chamber of Comm. with Council on Aging	50	Seniors from the local area
5/20/2010	Opelika, AL at Sport Plex - partner with AARP	85	Seniors from the local area
5/20/2010	Birmingham, AL at Vestavia Country Club	65	Financial Planning Association club
5/11/2010	Robertsdale, AL at the Senior Center	65	Retired state employee chapters - ARSEA
5/7/2010	Maxwell AFB, AL at Family Support Center	60	Military spouse and civilian personnel event
5/3/2010	Montgomery, AL at the Department of Education	11	Train staff in Career Tech Education
5/3/2010	Huntsville, AL at the Von Braun Center Senior Expo	85	Seniors from the local area
5/1/2010	Alabaster, AL at the Westwood Baptist Church	15	Local community with ACES & United Way
4/30/2010	Huntsville, AL at the Department of Rehabilitation	45	Retired state employee chapters - ARSEA
4/20/2010	Prattville, AL at the FINRA and AARP movie event	45	Seniors from the local area

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Investor Education and Fraud Prevention Outreach Program

(Continued)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
4/16/2010	Birmingham, AL at the BJCC Convention Center	45	High school students at FBLA conference
4/15/2010	Newbern, AL at Newbern High School with ACES	104	High school Economics teachers
4/12/2010	Tuscaloosa, AL at the Belks Meeting Center	65	Retired state employee chapters - ARSEA
4/9/2010	Birmingham, AL at the Federal Reserve - Atlanta Branch	20	High school Economics teachers
4/6/2010	Montgomery, AL at the Securities Commission	4	FINRA & ASC staff - develop education programs
4/6/2010	Montgomery, AL at the Securities Commission	41	Shades Valley Financial Academy students
4/5/2010	Anniston, AL - City Meeting Center	40	Retired state employee chapters - ARSEA
3/30/2010	Auburn, AL at Auburn University School of Business	80	Student Financial Management Association
3/23/2010	Montgomery, AL at the Securities Commission	41	High school students from Childersburg, AL
3/12/2010	Montgomery, AL - Vaughn Park Church of Christ	30	Happy Hearts Senior's club
3/10/2010	Hoover, AL at the Public Library	100	NAPFA U.S. Bus Tour - Kick Off
3/9/2010	Montgomery, AL at the AUM campus	20	College student economics club
3/5/2010	Scottsboro, AL at Jackson Cty Park Senior Center	98	Seniors from the local area
3/4/2010	Montgomery, AL at the Downtown restaurant	40	River Region Young Professionals club
2/25/2010	Maxwell AFB, AL at the Officer's Club	91	Military and spouses, civilian employees
2/23/2010	Maxwell AFB, AL at the Youth Center	18	Military dependent teenagers
2/16/2010	Montgomery, AL on the Capitol steps for America Saves	50	Citizens and partners
2/11/2010	Athens, AL at the Estate Planning Event with ACES	30	Seniors from the local area
2/6/2010	Birmingham, AL at 87th Army National Guard unit	98	Soldiers on monthly duty
2/4/2010	Opelika, AL at the Saugahatchee Country Club	60	Kiwanis Club members
1/25/2010	Jackson, MS at Secretary of State, Securities Division	15	Training and joint education initiatives
1/21/2010	Scottsboro, AL at the community center - Senior Expo	100	Seniors from the local area
12/29/2009	Montgomery, AL at the Securities Commission	1	Social Security representative
12/15/2009	Montgomery, AL at the Securities Commission	3	Maxwell AFB Family Support staff
11/18/2009	Montgomery County Cooperative Extension office	15	Seniors from the local area
11/13/2009	Birmingham, AL at the Hilton Perimeter Hotel	40	Alabama Bankers Association members
11/13/2009	Montgomery, AL at the University Church of Christ	80	Key note speaker at Senior Service dinner
11/12/2009	Montgomery, AL at the Cornerstone restaurant	25	Kiwanis club members
11/12/2009	Montgomery, AL at the Whitley Hotel	30	Dixie Lion's Club members
11/5/2009	Smiths, AL at the Philadelphia Baptist Church	25	Lee & Russell County senior citizens
11/3/2009	Tallassee, AL at the Community Hospital	30	Elmore & Tallapoosa County senior citizens
11/2/2009	Clanton, AL at the Ala. Power Co. conference facility	150	Chilton County senior citizens
10/26/2009	Montgomery, AL at the Gordon Persons Building	200	Alabama Examiners of Public Accounts
10/7/2009	Montgomery, AL at the Gordon Persons building	25	Working state government employees - ASEA
10/6/2009	Tuscaloosa, AL at the Indian Hills Country Club	110	Business Rotarians from local community
10/1/2009	Tallassee, AL at the Rotary Club meeting	35	Business Rotarians from local community

EVENTS TO DATE: 73

CITIZENS RECEIVING TRAINING: 3636



ALABAMA

Securities Commission

Joseph P. Borg, Director

ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2010 (Alphabetical by County)

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Autauga County

ATTORNEY GENERAL, SECURITIES COMMISSION OBTAIN ORDER FOR PERMANENT SHUTDOWN OF ONE OF THE LARGEST DEBT SETTLEMENT SCHEMES IN THE NATION *Approximately \$12 million in assets seized*

(Feb. 24, 2010) The Attorney General's Office and the Alabama Securities Commission announced the permanent shutdown of one of the largest debt settlement schemes in the nation, which had been operated in Prattville by a local attorney. Autauga County Circuit Judge Ben Fuller granted the agencies' request for a permanent injunction to stop deceptive and illegal activities by Keith Anderson Nelms and his companies, Allegro Law LLC and Allegro Financial Services LLC. The Court's summary judgment ruling establishes a permanent receiver and makes provisions for the receiver to protect and recover remaining resources for the benefit of the companies' clients. Attorney General Troy King and Securities Commission Director Joe Borg filed a lawsuit seven months ago which halted operations and froze the defendants' assets while the Court reviewed allegations regarding Allegro's unlicensed business, its ineffectiveness in reducing the debts of its clients, and its false representation of the services provided. The Court's ruling now permanently prohibits Allegro and Nelms from engaging in any further deceptive trade practices and from operating a debt settlement or debt management business in Alabama. Nelms is a resident of Montgomery whose law practice and financial services company were located in Prattville. After some of Nelms' activities came under scrutiny by the Alabama Bar Association, he pleaded guilty to violating numerous rules of professional conduct and was suspended from the practice of law in Alabama. In the order, the Court agreed with the State's assertion that Nelms and Allegro violated the Deceptive Trade Practices Act and the Sale of Checks Act. Approximately \$12 million in assets will be held for approximately 15,000 Allegro customers nationwide, of which about 175 are Alabama residents. These assets have been in the care of a receiver who has now been appointed to permanently oversee the protection of the funds to insure that the funds are handled appropriately and in the clients' best interest.

Former Autauga County Resident, Indicted, Arrested for Alabama Securities Act Violations

(Nov. 15, 2010) Jack Deck Weight, III, 26, of Cecil County, Maryland and former Prattville, Alabama resident, was indicted and arrested for alleged violations of the Alabama Securities Act. Weight was arrested by Autauga County Sheriff's personnel and bond was set at \$120,000. Weight, under a plea agreement, pled guilty Oct. 29, 2010 to a single count of Securities Fraud with the Court accepting the state recommendation of a 10-year suspended sentence, five years' probation and payment of full restitution to his victims. As part of the plea agreement, Weight will plead guilty to similar charges in Pike County, Alabama at a later date. An ASC investigation led to a six-count indictment by the Aug., 2010 session of the Autauga County Grand Jury alleging that between March and November, 2009, Weight, doing business as Eagle Eye Enterprises, A Delaware corporation, solicited more than \$9,000 from several Alabama investors,

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ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

to purchase investment contracts for gold and/or mutual funds, with a guarantee to triple the investors' money in less than a week or the investments would be refunded. There was no evidence to support that investor funds were used as represented and that Eagle Eye Enterprises existed as a fictitious investment company created by Weight through which he solicited money from investors for personal benefit. Weight admitted to the ASC findings and to his guilt in open court.

Baldwin County

Alabama Securities Commission Issues Order Against Company for Alleged Unregistered Stock Sales in Wake of Gulf Oil Spill

(July 9, 2010) A Cease and Desist Order was issued to InfrAegis, Inc., a Delaware corporation, and three of the company's officers, related to alleged violations of InfrAegis' offer and sale of company stock shares to several Alabama investors. The Order demands that the company and its representatives immediately cease and desist from further offers or sales of any security into, within or from the State of Alabama. Gregory E. Webb, president and CEO of the company, was in Orange Beach, Alabama in June to promote a product offered by InfrAegis that, when applied in large amounts, purportedly would help alleviate environmental damages caused by the Gulf oil spill. Webb, together with C. Robert Abbott, InfrAegis Chief Product Officer; and, James R. Zilka, InfrAegis' Chief Financial Officer, were named in the Order as not being registered with the ASC to conduct securities business in Alabama and that the company's stock shares are not registered or determined to be exempt from registration with the ASC as required by law. Further ASC investigation revealed that the State of Illinois had previously issued an administrative order against InfrAegis, Inc., alleging similar securities law violations in that state.

Baldwin County Man Arrested for Multiple Violations of Alabama Securities Act

(July 19, 2010) Robert James Tucker, of Baldwin County, was arrested by Baldwin County Sheriff's Department deputies and ASC Enforcement Division agents July 8, 2010 and charged with violations of the Alabama Securities Act. Charges stem from Tucker's alleged activities in association with Synergy Finance Group, LLC, headquartered in Robertsedale, Alabama. An ASC investigation, in cooperation with the Baldwin County District Attorney's Office, revealed that Tucker was allegedly operating an advance-fee loan business, self-described as a "multi-billion dollar loan brokerage," and solicited money from U.S. and foreign investors seeking large, non-collateralized loans which involved unlawful securities transactions. Records indicate that neither Tucker nor his company was registered with the ASC to conduct securities business in Alabama or to offer and/or sell securities outside of Alabama.

Blount County

Former Blount County Man Arrested for Violations of Alabama Securities Act

(May 11, 2010) David Ray Pinyan, formerly of Blount County, Alabama, was arrested on May 4, 2010 by Sevierville and Pigeon Forge, Tennessee law enforcement officials and placed in a local detention facility there. Alabama officials will seek extradition of Pinyan to Blount County to face charges that he violated provisions of the Alabama Securities Act. Pinyan's arrest stems from a 12-count indictment returned by an April 2010 session of the Blount County Grand Jury. According to an ASC investigation, beginning in May 2006 and continuing through August 2007, Pinyan allegedly used schemes centered on various land development opportunities and transactions involving the buying and selling of automobiles. Pinyan allegedly used these schemes to defraud several Alabama investors of several thousands of dollars after allegedly promising the investors "profit" on their investment principal. The indictment also alleges that Pinyan made untrue statements of material fact during the offer and sale of the investment "deals."

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ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Houston County

Houston County Man Pleads Guilty, is Sentenced for Securities Act Violations

(October 12, 2010) Robert Edmondson, a Dothan resident, pled guilty in Houston County Circuit Court to one count of securities fraud, described as Making Untrue Statements of Material Fact in Connection with the Offer/Sale of a Security. The plea agreement transpired during testimony in the state's case-in-chief. The Court imposed a 10-year sentence on Edmondson, split to serve 12 months in state prison, with nine years suspended and five years supervised probation once he is released from incarceration. Edmondson was also ordered by the Court to pay \$250,000 restitution to his victims and was released until January 14, 2011, with the stipulation that he returns to Court and show evidence that he has made substantial progress in making restitution payments. Edmondson will then surrender to the Alabama Department of Corrections to begin serving his sentence. According to testimony, Edmondson misled investors by saying his company was solvent and that the investor money would be solely used to develop a power saving device. Evidence revealed that Edmondson used investors' funds to operate his company and for his own personal benefit.

Jefferson County

Jefferson County Investment Adviser Pleads Guilty to Violation of Alabama Securities Act

(May 17, 2010) Andrew D. Petrofsky, a Birmingham resident, pled guilty on May 12, 2010 in Jefferson County Circuit Court to a single count of Securities Fraud. Petrofsky waived his right to indictment by a Grand Jury and entered his guilty plea based on information filed by the Jefferson County District Attorney. Petrofsky was sentenced in Circuit Court to one year and a day, to be served concurrently with a 44-month federal prison sentence he received in April 2010, after admitting to illegally diverting investors' funds under his management for his personal use. An ASC investigation in cooperation with the U.S. Securities and Exchange Commission (Atlanta Regional Office) and the U.S. Secret Service revealed that between January 2005 and May 2008 Petrofsky diverted in excess of \$870,000 from six investor accounts belonging to two Alabama investors and one investor from New York. During the time of the illegal activities, Petrofsky was employed as a registered Investment Adviser Representative with Professional Asset Strategies, a Birmingham, Alabama-based firm and diverted investor funds without the investors' or the company's knowledge or consent. Professional Asset Strategies reported the activities to ASC *and assisted the regulators in the investigation of Petrofsky's activities-- the company credited all victims' accounts*. Petrofsky has also been ordered to pay \$871,436 in victim restitution.

Lee County

Lee County Man Convicted of Securities Violations Has Probation Revoked

(October 6, 2009) A probation revocation hearing was held in Lee County Circuit Court, September 29, 2009 to hear evidence that Michael James Dixon of Opelika, Alabama engaged in activities that violated the terms and conditions of his probation. Dixon pled guilty earlier this year to violations of the Alabama Securities Act. A recommendation by the Lee County Probation Office, supported by the ASC, to have Dixon's probation revoked was accepted by the Court and an order was issued for his arrest in August 2009. Dixon was remanded into custody in the Lee County Detention Facility to begin serving the remainder of his ten year sentence. Dixon was initially arrested by Lee County Sheriff's deputies on July 10, 2008 based on evidence obtained by ASC Enforcement Staff that he offered and sold an investment opportunity to a Florida resident through his Alabama-based company, HBM, L.L.C., and used the money received from the investor for personal use. At the time of his arrest, neither Dixon nor his company were registered with the ASC to offer or sell securities within, into or from Alabama, nor was the investment product he offered and sold licensed with the ASC.

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ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Virginia Man Pleads Guilty to Violations of Alabama Securities Act

(January 28, 2010) Rudolph A. Polson, of Fairfax County, Virginia, pled guilty on January 25, 2010 in Lee County Circuit Court to a single count of Theft of Property by Deception, 1st Degree and was sentenced to 24 months in prison. Polson, representing Petrologistics, LLC, a Delaware-based limited liability corporation, offered an unregistered security, in the form of an investment contract, to a Lee County, Alabama resident. Polson solicited \$20,000 from the victim purportedly to assist in financing the transport and sale of crude oil from Nigeria to a buyer in Switzerland and was promised a substantial profit for their investment in the venture. A Lee County Grand Jury returned a six-count indictment against Polson on May 13, 2008, alleging multiple violations of the Alabama Securities Act. Records indicate that neither Polson nor his company were registered to offer or sell securities in Alabama, nor was the security offered and sold to the investor registered with the ASC as required. Polson was arrested by Fairfax County, Virginia authorities on May 29, 2008, released on \$5,000 bond and ordered to surrender to Lee County, Alabama authorities within 30 days. On June 26, 2008, Polson turned himself in to Lee County authorities.

Virginia Man Ordered to Pay Restitution for Violation of the Alabama Securities Act

(Mar. 10, 2010) Rudolph A. Polson, once a resident of Fairfax County, Virginia, appeared in Lee County Circuit Court for a probation and restitution hearing. The Court granted Polson's request for probation and placed him on three years' probation and ordered him to pay \$24,665 in victim restitution within 60 days, and then payment of court costs and fees. Polson pled guilty on Jan. 25, 2010 to a single count of Theft of Property by Deception, 1st Degree, for his involvement in the offering and sale of an unregistered security, in the form of an investment contract, to a Lee County, Alabama investor. Polson was sentenced to 24 months in prison.

Madison County

Madison County Man Arrested for Alleged Violations of Alabama Securities Act

(Jan. 14, 2010) On January 11, 2010, Mark Edward Doering, 40, of Huntsville, Alabama, was arrested by Madison County Sheriff's deputies for violations of the Alabama Securities Act, placed in the Madison County Jail under a \$25,000 bond and subsequently released on bail. Doering's arrest stems from indictments returned by a December 2009 session of the Madison County Grand Jury. According to an ASC investigation, beginning in June 2003 and continuing through March 2006, Doering allegedly offered and sold to an Alabama investor what Doering described as an investment in Grissom Research, Inc., purportedly headquartered in Huntsville and of which Doering allegedly acted as an agent for the sale of securities. The securities were described as investment contracts in the company. ASC records revealed that Doering was not registered as a securities agent with the agency. The indictment further alleges that Doering offered for sale to an Alabama investor an investment contract in the company; and, used the victim's funds for personal use after representing that the funds would be used to further business development.

Madison County Man Arrested for Alleged Violations of the Alabama Securities Act

(April 27, 2010) Matthew Arnold Gibson of Madison County, was arrested for alleged violations of the Alabama Securities Act. Gibson turned himself in to the Madison County Sheriff's Department on Jan. 29, 2010 and subsequently released under \$30,000 bond. A 20-count indictment was returned by a Dec., 2009 session of the Madison County Grand Jury. The charges are a result of an ASC investigation into a failed industrial park development deal in Choctaw County, Alabama in which nine Alabamians invested money with Gibson's company, Starboard Alabama, LLC, headquartered in Huntsville, an affiliate of Starboard Capital, Inc., of Satellite Beach, Florida. Alabama investors were allegedly issued promissory notes and other forms of investment instruments by Gibson in return for their money.

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ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

The investors lost approximately \$432,000 in the failed venture with the majority of the investors' money allegedly used by Gibson for personal and other unrelated business expenses. Also apprehended in connection with the same case was Bruce J. Mabey, a Salt Lake City, Utah resident, who was arrested on outstanding warrants by U.S. Customs officers in Atlanta, Georgia on Mar. 29, 2010. and transported to Madison County, Alabama to face charges. Mabey was indicted by the Dec., 2009 session of the Madison County Grand Jury. Mabey's involvement with Gibson centered on his alleged offer and sale of investment contracts to Alabama investors in connection with the Choctaw County, Alabama industrial park development plan.

Florida Man Arrested for Alleged Alabama Securities Act Violations

(Nov. 18, 2010) Patrick Michael Daleiden, 42, whose last known address was Satellite Beach, Florida, turned himself in to the Madison County Sheriff's Department and was arrested on Nov. 1, 2010 for alleged violations of the Alabama Securities Act. A seven-count indictment by a Dec., 2009 session of the Madison County Grand Jury alleged that at least three Alabamians invested in excess of \$400,000 with Daleiden's company, Starboard Capital, Inc., headquartered in Satellite Beach, Florida to allegedly fund a failed industrial park development deal in Choctaw County, Alabama. Alabama investors were allegedly issued promissory notes and other investment instruments by Daleiden in return for their money. The ASC investigation revealed no evidence to support that investor funds were used as represented and that Daleiden allegedly used solicited money for personal benefit. Two individuals associated with Daleiden's company, Matthew Arnold Gibson, a Madison County, Alabama resident; and, Bruce J. Mabey, a resident of Salt Lake City, Utah, were arrested and charged in connection with the same case earlier this year. All three men will face trial in Madison County at a later date.

Marshall County

California Man, Woman Sentenced for Alabama Securities Act Violations

(May 20, 2010) Randy Morton and Candice Lynn Lewis, both residents of Orange County, California, were sentenced May 18, 2010 in Marshall County Circuit Court. Morton, who pled guilty in 2009 to a single count of securities fraud, was sentenced to a 10-year prison term, split to serve 12 months and ordered to pay \$125,000 in restitution upon his release from prison. He will serve five years of probation after his release. Lewis, who also pled guilty to a single count of securities fraud in 2009, was sentenced to five years imprisonment, suspended to serve five years probation and ordered to pay \$125,000 restitution to victims. Morton and Lewis pled guilty in 2009 to charges related to the pair's involvement as unregistered sales agents for Lifeline Imaging Systems, Inc., an Orange County, California company that claimed to operate a number of "body imaging centers" in California, Arizona and Texas. A Nov. 2007, Grand Jury indictment alleged that Morton and Lewis attempted to raise capital to fund the business and, together with California resident Daniel Caterino, placed "cold calls" nationwide, including calls to several Alabama residents, and solicited funds. Neither the company nor the individuals were licensed or registered to conduct securities business in Alabama. An ASC investigation revealed that approximately \$15,000,000 in capital was raised nationwide, with some of the money purportedly used by the trio for personal and unrelated business expenses. Daniel Caterino was sentenced in Marshall County Circuit Court in July 2009 to a 15-year prison sentence split to serve 30 months, with remaining time served while on probation. He received a \$5,000 fine, ordered to pay attorney fees and court costs and \$340,000 in restitution to victims. Caterino is currently incarcerated with the Alabama Department of Corrections.

Mobile County

Mobile County Man Sentenced for Multiple Violations of Alabama Securities Act

(October 7, 2009) Scott Anthony Harwell, a Mobile County resident, was sentenced Sept. 24, 2009, in

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Mobile County Circuit Court, for violations of the Alabama Securities Act. The Court imposed a 20-year sentence, split to serve five years, with five years of supervised probation to be served first in order to give Harwell an opportunity to pay \$166,702 in restitution to his victims. Harwell, formerly doing business as Bull and Bear Trading, Inc., a Mobile, Alabama-based company, offered for sale stock shares in the company to several Alabama investors, representing that they would earn a return on their investments from an online system for executing trades in stocks, bonds, mutual funds and other financial instruments. An ASC investigation revealed that Harwell failed to inform investors that his company was not prepared to, nor capable of, executing online trades; and, that the stock offered and sold was not registered as required by Alabama law. Harwell used investors' money for his personal benefit and other unrelated expenses.

Mobile County Man Arrested for Alleged Violations of Alabama Securities Act

(Apr. 28, 2010) John Craig Dickson, 47, of Mobile, Alabama, was arrested April 20, 2010 by Mobile County Sheriff's Department and jailed under \$15,000 bond for alleged violations of the Alabama Securities Act. Based on an ASC investigation, a five-count indictment was handed down by an October 2009 session of the Mobile County Grand Jury. All charges stem from the alleged offer and sale of shares of stock in Dickson's company, Credit Restoration and Mortgage Counseling, LLC (CRMC), headquartered in Mobile, to an Alabama investor. In 2008, Dickson, representing himself as Treasurer and President of CRMC, allegedly solicited \$15,000 from an Alabama investor in order to promote his business, with the promise that the investor would realize a significant return on his investment in a short period of time.

Montgomery County

Montgomery County Man Indicted for Violations of Alabama Securities Act

(November 16, 2009) On October 9, 2009, a Montgomery County Grand Jury indicted Michael Joe Hardiman, 36, a Montgomery County resident, for alleged violations of the Alabama Securities Act. According to the indictment, Hardiman allegedly offered a Montgomery County resident an investment opportunity in his business, claiming that he could purchase a GMAC contract for repossessing vehicles and needed \$10,000 from the victim to be able to purchase the contract. Hardiman also allegedly represented to the victim that his investment would allow the victim to collect a return each month. The victim discovered that the representations made by Hardiman were false and the victim's money had been used for Hardiman's unrelated personal expenses. An Investigation by the ASC also revealed that GMAC does not enter into contracts with individuals to repossess automobiles. Hardiman was arrested October 21, 2009, placed in the Montgomery County jail under \$15,000 bond.

Montgomery County Man Pleads Guilty to Multiple Violations of Alabama Securities Act

(May 11, 2010) Timothy Grant Jones, a Montgomery County resident, pled guilty on April 29, 2010 in Montgomery County Circuit Court to several violations of the Alabama Securities Act. An Oct. 2009 session of the Montgomery County Grand Jury alleged that in 2007 Jones entered into an agreement with a Texas resident to invest \$25,000 of the victim's money to purchase franchise rights for the sale of portable personal storage units in the Montgomery, Alabama area. At the time of the offer, Jones allegedly represented to the victim that his money would return 60 percent profit plus the principle by June 21, 2007. An ASC investigation revealed that Jones had not entered into a contract with the storage unit company to open another franchise in Montgomery and that the victim's money had been used by Jones for unrelated personal expenses.

California Man Arrested, Charged with Alleged Violations of Alabama Securities Act

(Oct. 27, 2010) Peter George Szondy, of Woodland Hills, California, was arrested for alleged violations of the Alabama Securities Act after turning himself in to Montgomery *(Continued on next page)*

ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

County authorities Oct. 19, was placed under \$75,000 bond and subsequently made bond and released. An ASC investigation helped secure an eight-count indictment against Szondy by the September, 2010 Montgomery County Grand Jury. The indictment alleged that Szondy, doing business as Polymer Global Holdings, Inc., a Nevada corporation with a Woodland Hills, California business address, offered and sold promissory notes, put contracts and shares of his company's stock, valued collectively at approximately \$650,000, to an Alabama investor between 2005 and 2008. The indictment further alleges that Szondy, acting as vice president of Polymer Global Holdings, Inc., failed to repay the notes and put contracts to the Alabama investor as promised and further misled the investor by failing to disclose that neither he, the company nor the investments offered and sold were registered and licensed with the ASC.

Kentucky Men Indicted, Arrested for Alleged Violations of Alabama Securities Act

(Nov. 1, 2010) Gary Byron Hogan, of Louisville, Kentucky; and, William Louis Moore, of Scottsville, Kentucky, were indicted and arrested for alleged violations of the Alabama Securities Act. Hogan turned himself in to the Montgomery County Sheriff's Department on Sept. 8, 2010 and was released on bond. Moore turned himself in to Montgomery County authorities Oct. 8, 2010 and was released on bond. An ASC investigation led to a five-count indictment returned against Hogan by the August, 2010 session of the Montgomery County Grand Jury. According to Court records, Hogan pled guilty to two counts of Securities Fraud and guilty to one count of Sale of Unregistered Securities during an Oct. 20, 2010 hearing in Montgomery County Circuit Court. As part of Hogan's plea agreement, he was ordered to pay victim restitution and court costs. The Grand Jury also returned a three-count indictment against Moore, related to the indictment against Hogan. The indictments against Hogan and Moore allege that in 2007, the men, doing business as Barren Resources Group, LLC, a Nevada corporation, offered and sold to an Alabama investor a one-quarter interest in an oil and gas exploration and drilling venture purportedly managed by the duo's company. The indictment further alleged that the Alabama investor spent \$7,500 in the venture and that Hogan and Moore, in their capacity as company president and vice president respectively, failed to use investor funds as represented but instead used investor money for personal expenses unrelated to the stated purpose.

California Man Surrenders to Alabama Authorities for Alleged Security Act Violations

(Nov. 17, 2010) Frederick Tayton Dencer, of Tarzana, California, turned himself in to the Montgomery County, Alabama Sheriff's Department on Nov. 10, 2010 and was arrested for alleged violations of the Alabama Securities Act. Dencer was arrested Oct. 13, 2010 in Southern California and placed under \$100,000 bond. Once released on bond in California, Dencer was ordered to report to Montgomery County authorities within 21 days to answer charges. An ASC investigation led to a 19-count indictment against Dencer by a Montgomery County Grand Jury in Sept., 2010. 2005 and 2008, Dencer, doing business as Polymer Global Holdings, Inc., a Nevada corporation, offered and sold promissory notes, put contracts and shares of his company's stock, valued collectively at approximately \$650,000, to an Alabama investor. The indictment further alleges that Dencer, acting as president of Polymer Global Holdings, Inc., failed to repay the notes and put contracts to the Alabama investor as promised and further misled the investor by failing to disclose that neither he, his company nor the investments offered and sold were registered and licensed with the ASC. A second individual associated with Dencer's company, Peter George Szondy of Woodland Hills, California, turned himself in to Montgomery County authorities Oct. 19, 2010 and was arrested and charged in connection with the same case. The ASC expects additional arrests related to this case. Dencer and Szondy are currently free on bail and will face trial in Montgomery County at a later date.

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Shelby County

California Couple Sentenced in Shelby County for Illegal Securities Offering

(June 17, 2010) Stanley H. Johnson and his wife, Easter L. Johnson, were sentenced in Shelby County Circuit Court on June 9, 2010 for their involvement in illegal securities offerings tied to a company known as Advanced Body Imaging located in Orange County, California. Stanley Johnson had previously pled guilty to Securities Fraud. Easter Johnson pled guilty to Conspiracy to Sell Unregistered Securities. Stanley Johnson was sentenced to 10 years imprisonment, split to serve three years, with five years supervised probation and ordered by the Court to pay \$20,500 restitution. Mr. Johnson's probation will be served first in order to give him an opportunity to pay restitution. Easter Johnson was sentenced to 12 months in Shelby County jail, suspended in lieu of two years probation. Indictments alleged that the Johnsons attempted to raise capital to fund their business and solicited funds from a resident in Alabama and other states. Charges also alleged that the Johnsons used investors' money for personal and unrelated expenses.

Jefferson County Man Indicted, Arrested for Alleged Violations of Alabama Securities Act

(Nov. 3, 2010) Kyle Andrew Hiers of Birmingham was indicted and arrested for alleged violations of the Alabama Securities Act. Hiers turned himself in to Shelby County Sheriff's authorities on Oct. 26, 2010 and was held on \$142,000 bond. An ASC investigation led to a 71-count indictment being returned against Hiers by the Sept., 2010 session of the Shelby County Grand Jury alleging that between December 2003 and March 2008, Hiers, doing business as TKT Enterprises, LLC, headquartered in Shelby County, Alabama, offered and sold to approximately 25 Alabama investors, promissory notes valued at more than \$1.5 million which were to be used to fund short-term private mortgages. Allegedly, Hiers promised investors that their principle investment would be repaid with interest over a 30 to 60-day period. The ASC investigation revealed that Hiers allegedly used investors' funds for personal benefit and other expenses unrelated to the stated purpose.

Talladega County

Arizona Man Pleads Guilty to Alabama Securities Act Violations

(January 28, 2010) Gene Grobstein, of Scottsdale, Arizona, pled guilty on Jan. 25, 2010 in Talladega County Circuit Court to a single count of Criminal Conspiracy to Sell an Unregistered Security. Grobstein was arrested by Talladega County sheriff's deputies after turning himself in to ASC Enforcement agents and the Talladega County Sheriff on May 6, 2009. A Talladega County Grand Jury indictment handed down in Oct., 2008, alleged that Grobstein, doing business as GG Consulting International and described as a financial consulting firm registered in Arizona, offered and sold promissory notes to an Alabama investor. The notes were issued into Alabama from Arizona through the Meta Company, a Sylacauga, Alabama entity. Gary Allen Mitchell, a Sylacauga resident and president of the Meta Company, aided in locating Alabama investors on behalf of Grobstein. The indictment against Grobstein alleged that he failed to repay the notes and misled the investor by failing to disclose that neither he, his company, nor the promissory notes he offered and sold were registered and licensed with the Alabama Securities Commission. Mitchell was subsequently found guilty in August, 2009 in Talladega County Circuit Court of Fraud in Connection with the Sale of a Security and Securities Fraud from his position as an Investment Adviser. He was sentenced to seven years imprisonment on each count, to run concurrently and ordered to pay victim restitution.

Tuscaloosa County

Tuscaloosa County Man Pleads Guilty, Sentenced for Violations of Alabama Securities Act

(Mar. 4, 2010) Gene Thomas "Tommy" LeGrone, Jr., a Northport, Alabama resident, pled guilty on March 1, 2010 to violations of the Alabama Securities Act. *(Continued on next page)*

ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Upon acceptance of his guilty plea, the Court sentenced LeGrone to 20 years imprisonment, split to serve three years. An investigation into LeGrone's business activities by the ASC Enforcement Division resulted in an indictment being handed down by the March 2009 session of the Tuscaloosa County Grand Jury alleging that LeGrone, as owner and operator of Bama Remodeling and Repair, LLC, of Northport, Alabama, illegally entered into an investment contract with two Alabama victims without being registered with the ASC to offer and/or sell such investments. Further, LeGrone allegedly suggested to the victims that their money would be invested by him for home renovation projects and a promissory note for \$50,500 was issued to the victims in July 2006 with a promised return of "interest and profit." The ASC investigation also revealed that LeGrone made untrue statements, omitted material facts to investors regarding the investment opportunity and used investors' money for other unrelated expenses.

National

State Securities Regulators File Action Against Morgan Keegan

(April 7, 2010) Joseph P. Borg, Director of the Alabama Securities Commission (ASC); Delbert Hosemann, Secretary of State, Mississippi; Henry McMaster, Attorney General, South Carolina; and Charles A. Vice, Commissioner of Kentucky Department of Financial Institutions; along with William P. Hicks, Associate Regional Director, Securities Exchange Commission (SEC), Atlanta regional office; and Financial Industry Regulatory Authority (FINRA), James S. Shorris, Executive Vice President and Head of Enforcement announced this morning that administrative actions have been filed against Morgan Keegan & Company and Morgan Asset Management and their employees James C. Kelsoe, Brian B. Sullivan, Gary Stringer, and Michele Wood. This action is a direct result of an intensive multi-state investigation, led by the Securities and Charities Division of the Mississippi Secretary of State's office and the Alabama Securities Commission, and the states of South Carolina and Kentucky in cooperation with the States Securities Regulators from Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, Tennessee and Texas. Borg said, "We want to thank State Securities officials from Mississippi, South Carolina, Kentucky, Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, Tennessee and Texas for combining resources to work with the Alabama Securities Commission in this complex investigation. Our intent in this matter is to protect investors and ensure a fair market climate."

ASC NEWS ARTICLES OF SPECIAL INTEREST

(September 23, 2010) Alabama Securities Director Testifies to the U.S. House of Representatives Concerning 'Modernization' of SIPC

(Sept. 17, 2010) Impact of Financial Regulatory Reform Bill for Investment Advisers and Main Street Investors in Alabama

(July 9, 2010) Alabama Securities Commission Issues Order Against Company for Alleged Unregistered Stock Sales in Wake of Gulf Oil Spill

(June 9, 2010) Alabama Securities Director Nominated to SIPC Financial Modernization Task Force

(April 1, 2010) ALABAMA JOINS IN NATIONAL INVESTOR EDUCATION INITIATIVE

(April 1, 2010) Investors Receive Securities Settlement from American General Securities, Inc.

(October 26, 2009) INVESTOR ALERT: Current Internet "Phishing" Scams Target ARS Investors in Alabama

(October 13, 2009) Alabama Securities Commission Announces Continuation of IARD System Fee Waiver

ASC IN NATIONAL NEWS

The Washington Post

JANUARY 13, 2010, 11:39 A.M. ET

**GETTING PERSONAL: Reg-D Proposal
Costly For Small Companies**

InvestmentNews
The Leading News Source for Financial Advisers

March 16, 2010

**Dodd's financial reform bill leaves
state regulators on the bubble**

THE WALL STREET JOURNAL
WSJ.com

INVESTING MARCH 27, 2010

Cracking Down on 'Private Placement' Investments



**Investors look back on a decade of
grim stock returns**

12/30/10

MARKETS | JANUARY 24, 2011

In Alabama, Beware the Borg

As Stock-Regulation Power Shifts to States, Joseph Borg Boasts Tough Record

By JEAN EAGLESHAM

MONTGOMERY, Ala.—Joseph Borg has never mounted his Kawasaki motorcycle in pursuit of a fraud figure. But Alabama's securities commissioner once sent investigators by armored personnel carrier to close down a Florida church.

The 59-year-old regulator's strategy for cracking down on financial crime is as straightforward as his recipe for making deep-fried Thanksgiving turkey in 42 minutes: Punish wrongdoers with hefty prison sentences and big financial firms with much bigger fines.

"You've got to have tougher sanctions for Wall Street," he says in a barely veiled jab at the Securities and Exchange Commission and Financial Industry Regulatory Authority. Fines of just "several million dollars when a firm has made \$100 million" leave the culprits "waving from their yachts on the Caribbean."



Steve Gates for The Wall Street Journal

REVVING IT UP: Regulators like Joseph Borg, in Alabama on Friday, will soon oversee investment advisers.

On the job for 16 years, Mr. Borg is a well-known tough guy among state securities regulators. He has a conviction rate of more than 95%, largely from cases involving mini-Madoff investment schemes, unregistered brokers and penny-stock firms. Because of death threats against him, armed guards are on duty at Mr. Borg's office in downtown Montgomery, a short stroll from the first White House of the Confederacy.

Mr. Borg's mettle is about to face a new challenge. Under the Dodd-Frank financial-overhaul law passed by Congress, state securities regulators throughout the U.S. will inherit responsibility this summer for oversight of thousands of investment advisers with assets of \$25 million to \$100 million. Such advisers will no longer be overseen by the SEC.

Skeptics say the regulatory track record in many U.S. states is discouraging. The additional responsibilities also come just as state officials are scrambling to close ballooning budget deficits.

And even fans of Mr. Borg say his lock-'em-up-and-throw-away-the-key approach isn't practical for U.S. regulators now trying to hold Wall Street accountable for its behavior before and during the financial crisis. "The jobs are in many ways fundamentally different," says [Barbara Roper](#), director of investor protection at the Consumer Federation of America, a consumer advocacy group.

For example, state securities regulators like Mr. Borg can focus on outright fraud, she says, while U.S. officials are wrestling with the aftermath of a financial crisis where "there are things that companies did that stink to high heaven but were perfectly

within the law."

Mr. Borg, a two-time president of the North American Securities Administrators Association, says that even though some state regulators are strapped for cash, there should be "no one sheriff of Wall Street." If securities regulators across the nation work together more effectively, Mr. Borg adds, they could reverse the traditional

(Continued on next page)

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calculation by ne'er-do-well securities firms and brokers that "the reward has always outweighed the risk, even on bad products."

In contrast to securities regulators in many U.S. states, the budget for the Alabama Securities Commission, which has 49 employees and pays Mr. Borg less than \$145,000 a year, increased for the current fiscal year. The rise will allow Mr. Borg to add three employees to handle the investment-adviser work being outsourced by Washington.

The agency funds its operations from license fees and fines, contributing \$12.5 million to the state in fiscal 2010 and ordering the repayment of slightly more than \$1 million to alleged fraud victims. Mr. Borg is appointed by the agency's commissioners, making him relatively immune to political pressures. He is serving under his fifth Alabama governor, and his endurance partly reflects willingness by state-court judges to enforce Mr. Borg's view that white-collar felonies should be prosecuted as aggressively as street crime.

"A mugger on the street who knocks you down and steals your purse is going to get a 10-year sentence. Why should someone who steals your purse with a pen and a piece of paper be less guilty?" Mr. Borg said in an interview.

In one typical case, a former Alabama resident was sentenced last month to a 10-year suspended prison term after pleading guilty to one count of securities fraud related to an investment of less than \$10,000 by a single investor.

According to the agency, Jack Deck Weight III guaranteed to triple investors' money in less than a week by investing in gold or mutual funds. Mr. Borg went after Mr. Weight despite the small sum and his move to Maryland. The securities regulator recalls with relish the case of "one guy who thought Maui was a foreign country. We got him back."

Lawyers for Mr. Weight, who faces a court hearing on similar charges in Pike County, Ala., couldn't be reached for comment.

Born in New York to immigrants from Malta, Mr. Borg moved to Alabama after graduating from law school at Long Island's Hofstra University and coming to Montgomery to work as a defense lawyer in a product-liability case.

He says he fell in love with Alabama's "clean air" and "fresh trees." After working as a partner at a local law firm and in-house counsel at a bank that is now part of Regions Financial Corp., Mr. Borg was named securities commissioner in 1994. By now, he looks like an Alabama lifer when eating ribs at the Montgomery outpost of Dreamland Bar-b-que, which opened the same year football coach Paul "Bear" Bryant began at the University of Alabama.

As state officials gear up for their new oversight powers under Dodd-Frank, Mr. Borg said that pursuing criminals is "only half the equation." Regulators also need to take a pragmatic stance toward licensed local brokers and other financial firms that make honest mistakes.

Mr. Borg's record during the financial crisis isn't perfect. Investors in some bond funds run by the Morgan Keegan & Co. brokerage unit of Regions, based in Birmingham, Ala., had suffered steep losses by the time the Alabama securities commission, three other states, the SEC and Finra launched legal proceedings last April. The cases are continuing. Morgan Keegan declined to comment.

Still, Jacob Zamansky, a former prosecutor at the Federal Trade Commission who now represents investors and brokers in arbitration proceedings, said the SEC could help rehabilitate its damaged reputation by taking "a page out of Joe Borg's book."

The Birmingham News Sunday, March 21, 2010

CHEATS BEWARE

SCAM ARTISTS NATIONWIDE ARE WELL AWARE OF THE HEAD OF THE ALABAMA SECURITIES COMMISSION'S REPUTATION — AND IT SCARES THEM

By **RUSSELL HUBBARD**
News staff writer

Joe Borg has been the top man at the Alabama Securities Commission for 15 years, and at age 58, has no plans to retire anytime soon from the job that has taken him from the streets of Manhattan to the swamps of Florida in search of investment crooks.

"I am going to stay as long as it is fun and as long as we are allowed the resources to do the job in a competent manner," said New York native Borg, whose job is outside the state merit system and has no mandatory retirement age.

Borg and his agency are responsible for enforcing Alabama's investment laws, preventing scams and prosecuting fraudsters. The job often takes him out of state: He has busted mobsters in New York and Ponzi schemers in Florida who swindled Alabama residents.

"If you are crooked and operating from another state, stay away from Alabama," Borg said. "We will come and get you."

Over the years, the commission frequently has been consulted by national fraud regulators, and even Congress, where Borg has testified numerous times. The commission is self-supporting through licensing fees paid by investment professionals and, with fines levied against the dishonest, contributes an average of about \$10 million a year back to the General Fund.

It wasn't always so. Borg, whose first full year in office was 1995, took over an agency in tumult. The Securities Commission first came to prominence in the late 1970s under the direction of Tom Krebs, a lawyer with a caustic dislike of people coming into Alabama from out of state to swindle people with their Ponzi schemes, stock-market scams and check-kiting frauds. The highlight was a 1978 investigation into stock fraud involving shares of energy companies that ballooned into an international effort that broke a ring of global arms smugglers.

See **BORG** | Page 2C



NEWS STAFF/LINDA STELTER

JOE BORG ON THE BEAT

The Alabama Securities Commission chief remembers three prominent cases.

STRATTON OAKMONT, 1995. Borg led a multistate task force that shut down a noted New York boiler room that perpetrated one of the oldest scams in stock market history: Buy up tons of shares in a thinly traded company, get hundreds of innocent others to do the same — raising the share value — then sell the stock before the new buyers catch on to the fraud. It's called "pump and dump."

GREATER MINISTRIES, 1999. A traveling minister based in Florida with a lacquered pompadour named Don Hall pitched a church scam in Alabama. What most people called tithes, he called "faith promises," as in give a certain amount and have faith you will be repaid, plus profit. Borg called it a Ponzi scheme. Greater Ministries collected as much as \$500 million before Borg busted them under armed federal escort. Church leaders were sentenced to jail terms of up to 27 years.

STANFORD FINANCIAL GROUP, 2009. Borg calls it the fraud that never was. Financial impresario Allen Stanford was known for offering high returns on investments that he called deposit certificates at his overseas bank. Borg called them unregistered securities that behaved nothing like bank CDs. Stanford eventually was busted by the Securities and Exchange Commission, but not before he failed to defraud anyone in Alabama. Borg said his office years before had decoded the deposit certificate fraud, and that Stanford probably was aware of that and avoided soliciting investments from Alabamians.

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BORG: Enforcement and regulation

From Page 1C

Krebs left for private practice in 1982, and a decade later, the commission was far downhill. In 1992, then Director Robert Rash quit amid heavy criticism. Deputy Director Bob Prince was fired, accused of lying under oath. He claimed the firing was politically motivated, and fought to clear his name and get his job back, which he did. But critics said the controversy had hobbled the agency.

Enter Borg, a graduate of Long Island's Hofstra Law School. He moved to Montgomery in the 1970s as a lawyer trying a case there, and wound up staying. He worked for one of the capital's prominent law firms, and later became in-house counsel for First Alabama Bank, now Regions Financial Corp.

Boiler rooms

He got moving quickly. In 1995, his phones were being flooded with calls from Alabama investors who complained they had been swindled by an New York stock brokerage that pitched worthless penny-stock shares over the telephone.

Borg was the driving force behind the formation of a multistate task force that eventually shut down New York's Stratton Oakmont,

THE ALABAMA SECURITIES COMMISSION

► Enforces the first and most basic principle of investment regulation, according to Alabama law: People who sell investments must be licensed to do so by the commission. If they aren't, they will be prosecuted.

► Employs investigators who make cases against scammers and lawyers who help prosecute them, along with administrators who license and regulate investment professionals. Total employment is 47.

► Investigators and prosecutors are fully accredited Alabama law enforcement officers, but always use local police for busts and arrests.

Local district attorneys assist with all prosecutions.

► The investor education department of the commission is led by Dan Lord and has been nationally recognized for excellence by the National Association of Securities Administrators. The department is preparing statewide screenings of a one-hour movie on the basics of investing.

► Any Alabama citizen can ask the commission, free of charge, for the complete history and disciplinary record of anyone claiming to be a licensed investment professional.

the brokerage that was the model for the 2000 hit movie "Boiler Room," which is Wall Street jargon for the crowded offices where shady dealers employ armies of phone salesmen to tout dodgy shares and other dubious investments.

"We have raided plenty of real boiler rooms in other states over the years," Borg chuckled. "You would be surprised the number of times we have seen handwritten notes warning the phone reps to not call into Alabama."

Busting obvious crooks isn't the whole job. The commission also regulates the legitimate broker/dealer industry, the companies known for advertising on television. Borg said his goal

has been to make the legitimate broker/dealers partners — and enemies only if they proved to be repeat offenders of investment regulations that prohibit unauthorized and excessive trading on a customer's account to generate bogus commissions.

"We fine less than many other states, but we put more bad guys off the trading desk," Borg said. "My philosophy was to give broker/dealers all the credit if they worked with us to clean up their act. If not, we made it clear they were in for a hard time."

Another high point was the raid on the Tampa headquarters of a crooked religious group called Greater Ministries, which had been

BORG'S RECORD

How the Alabama Securities Commission has performed in the past 15 years:

► **Restitution ordered to victims:** \$87.3 million

► **Indictments:** 297

► **Convictions:** 226

► **Years of incarceration sentenced:** 1,169

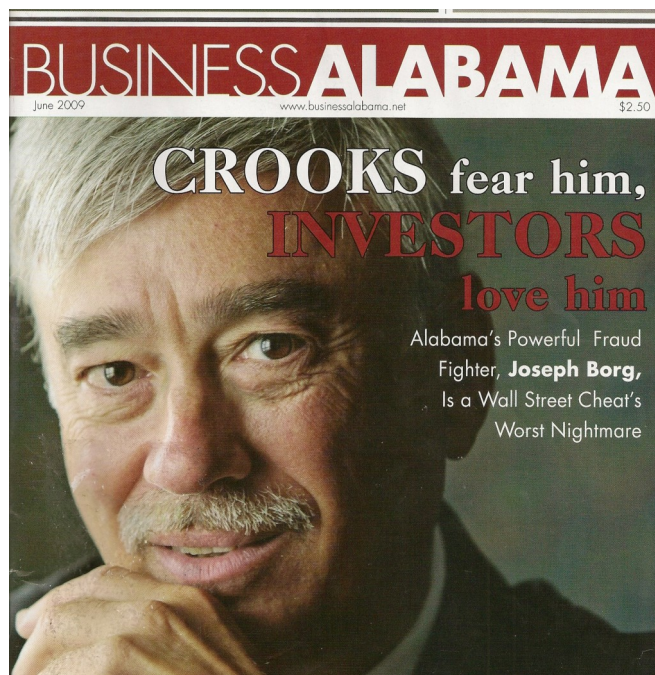
► **Contributions to the General Fund:** \$111 million

preying on the religious sentiments of Alabamians. The Securities and Exchange Commission refused to act, remembers John Haley, a Birmingham trial lawyer who had a client burned by Greater Ministries.

Not to be deterred, Borg traveled to Tampa after getting Haley and two other interested lawyers deputized as special Alabama officers in case they were forced to act in the state's interest. A Florida federal judge then authorized the Alabama Securities Commission to seize the church's headquarters under escort by U.S. Marshals. The Branch Davidian raid in Waco was still fresh, Haley said. No chances were taken. There was an armored vehicle and dozens of armed officers. It went off without a hitch.

"Joe Borg is a tough individual," Haley said. "He is known internationally for aggressively pursuing fraudsters. I know I would never want to come up against him in court."

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ASC SPECIAL AWARDS AND RECOGNITION

2010 Director Borg selected to participate on a national task force with other securities experts from government and industry to examine and recommend changes to the Securities Investors Protection Corporation (SIPC). SIPC is a nonprofit corporation, established by Congress that insures the securities and cash in the customer accounts of member brokerage firms against the failure of those firms.

2010: AARP Alabama presented the “AARP Champions of Change Award” to the Alabama Securities Commission at an annual leadership summit in Birmingham. The award recognized ASC’s partnership and contributions with AARP Alabama, the national AARP office and AARP affiliates in more than 20 other states to help acquire grant funds and study the “how and why” seniors become victims of financial fraud and to develop advanced techniques to help protect seniors.

2010: Director Borg selected as a delegate to the 35th Annual Conference of the International Organization of Securities Commissions (IOSCO) in Montreal, Canada. IOSCO’s mission is to enhance investor protection and promote investor confidence in the integrity of international securities markets.

2009: During a United States Congress House Financial Services Committee the Alabama Securities Commission was noted for its outstanding record of successful convictions: "Since January 1, 2009, the Alabama Securities Commission has announced the conviction of nine different individuals convicted of securities fraud. These convictions encompass cases of fraud and abuse ranging from a classic Ponzi scheme to violations of Regulation D, Rule 506. All convictions and charges are felonies. Currently, in the State of Alabama, the Securities Commission has twenty-seven defendants awaiting trial for securities fraud in nineteen separate cases." (James L. Ropp, Delaware Securities Commissioner).

2008: Director Borg received accolades for his work for the United Nations Commission on International Trade Law (UNCITRAL). Borg served as a U.S. delegate for the International Expert Group on International Fraud and the Criminal Misuse and Falsification of Identity in Vienna, Austria.

2008: Special Agent Ricky G. Locklar of the Commission’s Enforcement Division has been awarded the Enforcement Award presented by the North American Securities Administrators Association (NASAA).

2007: The James E. Beckley “Golden Bow Tie” Award by the Public Investors Arbitration Bar Association (PIABA) was presented to Director Borg at the organization’s 16th Annual Meeting and Securities Law Conference. The Award honored Borg for his efforts to bring fairness, consistency and a level playing field to the national securities arbitration process.

(Continued on next page)

SELECTED ASC SPECIAL AWARDS AND RECOGNITION *(continued)*

2007: U.S. Congressman Spencer Bachus and Congressman Artur Davis joined Alabama Speaker Seth Hammett and Lt. Gov. Jim Folsom in honoring Director Borg for his exemplary service and dedicated efforts in strengthening enforcement and fraud prevention actions throughout the securities industry to protect the citizens of Alabama and North America. Proclamations and letters of commendation were issued citing Borg's outstanding professional achievements and praising his leadership of the ASC by forging the agency into a model of accomplishment, efficiency and success for other securities regulatory agencies.

2007: Director Borg chosen to represent the U.S. State Securities Regulators at the 32nd Annual Conference of the International Organization of Securities Commissions (IOSCO) in Mumbai, India.

2007: The North American Securities Administrators Association (NASAA) honored Director Borg for his outstanding service with the organization at its 90th Annual Conference in Seattle, Washington.

2007: Director Borg invited to attend and participate in the 4th Taipei Corporate Governance Forum in Taiwan. The forum focused on major trends affecting international finance markets.

2007: The United Nations Office on Drugs and Crime invited Director Borg to participate as a Delegate on an intergovernmental expert group, the United Nations Commission on International Trade and Law (UNCITRAL), convened to finalize a substantive report for submission to the Commission on Crime Prevention and Criminal Justice.

2007: The National Press Club in Washington, D.C. invited Director Borg to speak to help emphasize the importance of investor protection and the continued cooperation and shared efforts among state, federal and provincial governments in the prosecution of those who would victimize investors through abusive sales practices.

2006: The North American Securities Administrators Association (NASAA) elected Director Borg to head the international securities organization as its President. This was the second time that Borg was elected by NASAA membership to hold this prestigious position.

2005: Dan Lord, Education and Public Affairs Manager, received the Distinguished Service Award from the North American Securities Administrators Association (NASAA) for his development and implementation of an outstanding education and information program that promotes investor education and securities fraud prevention to citizens of Alabama.

The ASC staff has participated on the following North American Securities Administrator's Association Project Groups, to promote effective regulation of securities regulation in North America during the past five years:

J. Randall McNeill, Deputy Director, Alabama Securities Commission, serves on NASAA's Litigation Forum Project Group.

Ricky G. Locklar, Sr. Special Agent, Enforcement Division, served on NASAA's Special project Development and Coordination Group from 2005-2009. He currently serves on NASAA's Oil and Gas Joint venture Project Group.

Michael Foley, Sr. Special Agent, Enforcement Division, served on NASAA's Viaticals Project Group from 2005-2006.

Rena Davis, Securities Registration Manager for Examinations, has served on NASAA's Investment Advisor Zone Project Group since 2003. She currently serves as the group's Southeastern Regional Coordinator.

Lisa Tolar, Securities Registration Manager for Licensing, served as Project Group Chair on NASAA's Senior Outreach Project Group in 2005.

Dan Lord, Education and Public Affairs Manager, served as Project Group Chair on NASAA's Affinity and Military Outreach program for three years and presently serves on the NASAA Investor Outreach Project Group.



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